# Chap. 8 Financial Report

### **Financial status**

# **Balance sheet**

The Company's condensed balance sheets for the past five years and explanation of significant changes are as follows:

#### 1. Current assets

In 2007, the Company liquidated its bond funds to meet funding needs in acquiring Taiwan Fixed Network Co., Ltd. (TFN) shares, resulting in a decrease in current assets.

#### 2. Funds and long-term investments

In 2007, the Company increased its investment in Taiwan Cellular Co., Ltd. (TCC) to acquire TFN shares. In spite of this, long-term investments remained lower than the previous year due to TransAsia Telecommunications, Inc. (TAT), one of the Company's subsidiaries, having a capital reduction, and Company shares held by its subsidiaries being reclassified as treasury stock.

#### 3. Fixed assets

The disposal of obsolete 2G equipment resulted in a decline in fixed assets from 2004 to 2007.

#### 4. Intangible assets

In 2008, intangible assets increased as the Company merged with TAT International (which acquired TAT at a premium and renamed as TAT) and inherited the goodwill.

#### 5. Other assets

In 2007, other assets increased due to reclassification from fixed assets of one of the Company's office buildings being leased out and an increase in deferred tax assets related to timing difference between financial accounting and tax accounting in the recognition of asset write-off losses.

#### 6. Current liabilities

The Company raising bank loans to meet its funding needs to acquire TFN shares, together with payables arising from capital reduction, resulted in increased current liabilities in 2007. Current liabilities decreased due to bank loan repayment and settlement of capital reduction in 2008.

#### 7. Long-term liabilities

Since 2004, repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities. In 2008, issuance of the second unsecured corporate bonds and increase in syndicated loans resulted in increased long-term liabilities.

#### 8. Other liabilities

The Company invested in TCC, as mentioned in (2), with TFN shares valued at NT\$8.30, the same price as the tender offer pnice for TFN. In accordance with the Statements of Financial Accounting Standards (SFAS), the spread between the carrying cost and the price of NT\$8.30 has been deferred as unrealized gain and reclassified as other liabilities.

# 9. Stockholders' equity

The conversion of convertible bonds increased capital and capital surplus, while a 24% capital reduction approved at the shareholders' meeting in 2007 decreased capital. The Company's shares held by subsidiaries were classified as treasury stock, decreasing shareholders' equity. In 2008, the sale of 300,000 of the Company's shares by its subsidiary decreased treasury shares, while the disposal gain increased capital surplus and shareholders' equity accordingly.

Unit: NT\$'000

						Unit: N1\$'000
		2004	2005	2006	2007	2008
Current assets		21,449,832	25,779,977	26,112,730	11,831,063	11,187,288
Funds and long-terr	n investments	23,737,612	21,091,320	21,620,736	15,276,374	15,743,234
Fixed assets		60,190,612	57,638,728	57,224,824	42,568,638	43,018,691
Intangible assets		10,281,583	9,720,218	9,036,696	8,249,458	14,317,314
Other assets		5,594,292	3,139,195	2,976,458	6,076,924	5,608,974
Total assets		121,253,931	117,369,438	116,971,444	84,002,457	89,875,501
Current liabilities	Before appropriation	12,611,294	15,477,853	16,564,043	42,763,948	23,931,369
Current liabilities	After appropriation	25,185,664	28,766,184	29,919,728	50,565,070	(Note 1)
Long-term liabilities		27,486,226	14,584,125	10,291,046	7,551,665	13,200,000
Other liabilities		183,590	318,704	248,561	1,833,915	1,841,534
Total liabilities	Before appropriation	40,281,110	30,380,682	27,103,650	52,149,528	38,972,903
rotal liabilities	After appropriation	52,855,480	43,669,013	40,459,335	59,950,650	(Note 1)
Capital stock		48,883,886	49,492,065	49,993,251	38,009,254	38,009,254
Capital surplus		7,258,873	7,905,337	8,748,571	8,785,159	12,297,839
Datainadaamiaaa	Before appropriation	26,393,440	29,881,787	32,706,825	25,959,268	33,529,532
Retained earnings	After appropriation	13,819,070	16,593,456	19,351,140	18,158,146	(Note 1)
Unrealized valuation investments	loss on long-term	-	-	(147,423)	(64,043)	(5,897)
Translation adjustm	ents	(1,631)	3,240	3,860	5,764	17,840
Net loss not recogn	ized as pension cost				1,534	2,862
Total shareholders'	Before appropriation	80,972,821	86,988,756	89,876,794	31,852,929	50,902,598
equity	After appropriation	68,398,451	73,700,425	76,512,109	24,051,807	(Note 1)

Note 1: 2008 earnings appropriation proposals are pending approval in the shareholders' meeting. Note 2: 2004-2008 financial data have been duly audited by independent auditors.

# **Income statement**

The Company's condensed income statements for the past five years and explanation of significant changes are as follows:

# 1. Non-operating income

In 2004, non-operating income grew due to dividend income of NT\$1.25bn from Chunghwa Telecom and

gains of NT\$1.04bn from the disposal of CHT shares. In 2006, non-operating income rose on gains of NT\$2.1bn from the disposal of CHT shares.

#### 2. Non-operating expense

Losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration were recognized in 2007.

Unit: NT\$'000

	2004	2005	2006	2007	2008
Revenue	44,786,009	47,408,572	47,891,289	51,284,856	54,311,605
Gross profit	26,514,232	28,056,234	27,464,393	28,914,695	30,221,035
Operating income	16,295,485	17,170,785	14,981,243	16,025,677	16,877,624
Non-operating income	5,680,226	3,839,134	6,355,984	4,538,500	4,791,141
Non-operating expense	2,559,801	2,698,462	3,858,726	12,508,313	1,891,668
Pre-tax income	19,415,910	18,311,457	17,478,501	8,055,864	19,777,097
Net income	16,658,456	16,236,698	16,170,741	6,612,997	15,371,386
EPS (NT\$)	3.55	3.31	3.28	1.68	5.18

Note: 2004-2008 financial data have been duly audited by independent auditors.

# Financial analysis for the past five years

			2004	2005	2006	2007	2008
-: · · ·	Debt to as	set ratio	33.22%	25.88%	23.17%	62.08%	43.36%
Financial structure	Financial structure Long-term capital to fixed asset ratio		180.19%	176.22%	175.03%	92.57%	149.01%
	Current ratio		170.08%	166.56%	157.65%	27.67%	46.75%
Solvency	Quick ratio	)	166.55%	163.49%	154.05%	26.17%	42.83%
	Interest co	overage ratio (x)	18.66	31.82	42.94	21.58	29.91
	Accounts over (x)	receivable turn-	7.43	7.77	7.37	7.75	7.90
	Average co	ollection days	49.13	46.98	49.59	47.10	46.20
	Inventory t	turnover (x)	-	-	2.53	2.02	5.44
Operations	Accounts payable turn- over (x)		12.81	13.57	14.03	14.75	12.78
Ave	Average da	ays sales	-	-	144.27	180.69	67.10
	Fixed asse	t turnover (x)	0.74	0.82	0.84	1.20	1.26
	Total asset	turnover (x)	0.37	0.40	0.41	0.61	0.60
	Return on	assets	13.90%	13.98%	14.07%	6.87%	18.27%
	Return on	equity	22.19%	19.33%	18.29%	10.87%	37.15%
Profitability	% of	Operating income	33.15%	34.67%	29.97%	42.16%	44.40%
Promability	paid-in capital	Pre-tax income	39.49%	36.98%	34.96%	21.19%	52.03%
	Net incom	e margin	37.20%	34.25%	33.77%	12.89%	28.30%
	EPS (NT\$)		3.55	3.31	3.28	1.68	5.18
	Cash flow	ratio	179.26%	174.16%	69.93%	79.87%	105.31%
Cash flow	Cash flow	adequacy ratio	132.52%	162.30%	126.44%	148.13%	147.08%
	Cash reinv	estment rate	9.89%	13.02%	-	24.93%	18.67%

(Continued)

		2004	2005	2006	2007	2008
Loverage	Operating leverage	1.42	1.43	1.64	1.70	1.69
Leverage	Financial leverage	1.07	1.04	1.03	1.03	1.04
	EBITDA (NT\$'000)	21,192,488	22,576,687	21,385,641	23,205,291	23,902,471
	EBITDA margin	47.32%	47.62%	44.65%	45.25%	44.01%
Others	ARPU (NT\$)	682	842	827	821	785
	MOU (in thousand minutes)	11,720,178	12,213,446	12,903,920	13,554,863	14,674,970

Explanation for items with deviation exceeding 20% in 2008:

- (1) The issuance of the second unsecured corporate bonds and increase in syndicated loans to repay short-term bank loans and capital reduction payable resulted in increased long-term liabilities and decreased current liabilities with net decrease in total liabilities. As a result, the current ratio and quick ratio increased while debt to asset ratio decreased accordingly.
- (2) The sale of the Company's shares by its subsidiary led to a decrease in treasury shares, and the disposal gain increased capital surplus. The long-term capital to fixed asset ratio increased as a result.
- (3) Marked difference between 2007 and 2008 net income was due to the asset write-off of obsolete 2G telecom equipment, which had been booked in 2007, with resulting increases in return on assets, return on equity, ratio of pre-tax income as a % of paid-in capital, net income margin, EPS and interest coverage ratio.
- (4) Inventory turnover improved as a result of increase in sales volume of handsets bundled with rate plans.
- (5) The increase in cash flow ratio was due to lack of bond fund liquidation in 2007 and decreased cash inflows from operating activity as well as drop in current liabilities in 2008.
- (6) Overall, the decrease in cash inflows from operating activity weighed on cash reinvestment rate.

Note: 2004-2008 financial data have been duly audited by independent auditors.

#### Formulas for the above table:

#### Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

#### Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets Inventory Prepaid expenses) / Current liabilities
- (3) Interest cover = Income before interest and tax / Interest expense

#### Operations

- (i) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover ratio
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover ratio
- (6) Fixed asset turnover = Net revenue / Net fixed assets
- (7) Total asset turnover = Net revenue / Total assets

#### Profitability

- (1) Return on assets = (Net income + Interest expense \* (1 Tax rate)) / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income Preferred stock dividend) / Weighted average outstanding shares

#### Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
- (3) Cash reinvestment rate = (Cash flow from operating activities Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) Note: Use 0 if working capital value is negative.

#### Leverage

- (1) Operating leverage = (Net revenue Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income Interest expense)

#### Others

- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA/Net revenue
- (3) ARPU = Net telecom service revenue / Average number of subscribers
- (4) MOU = Outgoing & incoming minutes

# Financial and operating results analysis

#### **Financial results**

- Explanation of significant changes i.e., at least a 10% change amounting to more than NT\$10 million – in the past two years' assets, liabilities and shareholders' equity:
  - (1) Decline in current liabilities and rise in long-term liabilities were due to issuance of corporate bonds and increase in syndicated loans to repay short-term bank borrowings and capital reduction payables.
- (2) Disposal gain from sale of treasury shares held by the Company's subsidiary contributed to the increase in capital surplus.
- 2. Impact of changes on financial results No significant impact
- 3. Preventive measures Not applicable

# 2007 - 2008 Comparative Balance Sheet

Unit: NT\$'000, %

			Yo Y c	Unit: N1\$'000, %
	2008	2007	Amount	%
Current assets	11,187,288	11,831,063	(643,775)	(5.44)
Fixed assets	43,018,691	42,568,638	450,053	1.06
Other assets	5,608,974	6,076,924	(467,950)	(7.70)
Total assets	89,875,501	84,002,457	5,873,044	6.99
Current liabilities	23,931,369	42,763,948	(18,832,579)	(44.04)
Long-term liabilities	13,200,000	7,551,665	5,648,335	74.80
Total liabilities	38,972,903	52,149,528	(13,176,625)	(25.27)
Paid-in capital	38,009,254	38,009,254	-	-
Capital surplus	12,297,839	8,785,159	3,512,680	39.98
Retained earnings	33,529,532	25,959,268	7,570,264	29.16
Total shareholders' equity	50,902,598	31,852,929	19,049,669	59.81

# 2007 - 2008 Comparative Income statement

Unit: NT\$'000 %

			YoY c	Unit: NT\$'000, %
	2008	2007	Amount	%
Revenue	54,311,605	51,284,856	3,026,749	5.90
Operating costs	(24,090,570)	(22,370,161)	1,713,971	7.65
Gross profit	30,221,035	28,914,695	1,312,778	4.54
Operating expense	(13,343,411)	(12,889,018)	460,831	3.58
Operating income	16,877,624	16,025,677	851,947	5.32
Non-operating income	4,791,141	4,538,500	252,641	5.57
Non-operating expense	(1,891,668)	(12,508,313)	(10,616,645)	(84.88)
Income before tax	19,777,097	8,055,864	11,721,233	145.50
Net income	15,371,386	6,612,997	8,758,389	132.44

# **Operating results**

 Explanation of significant changes in the past two years' revenue, operating income and income before tax

Decrease in non-operating expense: Unrealized losses from asset write-off of obsolete telecom equipment following technology upgrade and network integration were booked in 2007.

2. Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal

Marketing strategies aimed at acquiring new subscribers by telecom operators is expected to become more aggressive as market demand for mobile internet products continues to grow, thereby boosting the industry further in 2009. To realize the full potential of this growth, the Company will focus on developing attractive value-added products and services in order to obtain a bigger market share of the mid-to-high and stable usage customers, as well as work on leading the market in new subscriber gross additions. In order to meet these targets, the Company will utilize the full potential of its brand image as well as edge in handset procurement to help boost cost and marketing efficiency.

# Consolidated Financial Analysis (2008 versus 2007)

			2008	2007
Financial structure (%)	Debt to asset ratio		44.60	66.94
Financial structure (%)	Long-term capital to	o fixed asset ratio	129.66	78.41
	Current ratio		48.19	30.68
Solvency (%)	Quick ratio		42.82	28.93
	Interest coverage ra	atio (x)	30.80	10.48
	Accounts receivable	e turnover (x)	8.69	8.23
	Average collection	days	42.00	44.35
	Inventory turnover	(×)	5.05	2.23
Operations	Accounts payable turnover (x)		9.69	11.92
	Average days sales		72.28	163.68
	Fixed asset turnover (x)		1.40	1.30
	Total asset turnover (x)		0.75	0.67
	Return on assets		16.74	6.91
	Return on equity		36.91	11.07
Drofitobility (0/)	0/ of poid in conital	Operating income	57.31	56.04
Profitability (%)	% of paid-in capital	Pre-tax income	54.03	37.82
	Net profit margin		22.20	10.24
	EPS (NT\$)		5.18	1.68
	Cash flow ratio		102.46	70.80
Cash flow (%)	Cash flow adequac	y ratio	173.64	173.78
	Cash reinvestment rate		22.19	36.02
Lavaraga	Operating leverage		1.75	1.74
Leverage	Financial leverage		1.03	1.05

Explanation for items with deviation exceeding 20% in 2008:

- (1) The issuance of the second unsecured corporate bonds and increase in syndicated loans to repay short-term bank loans and capital reduction payable as well as meet the financing need in acquiring TFN resulted in increasing long-term liabilities while decreasing current liabilities with net decrease in total liabilities. As a result, the current ratio and quick ratio increased while debt to asset ratio decreased accordingly.
- (2) The sale of the Company's shares by its subsidiary led to a decrease in treasury shares, and the disposal gain increased capital surplus. The long-term capital to fixed asset ratio increased as a result.
- (3) A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- (4) The capital reduction accordingly decreased shareholders' equity, while the reclassification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- (5) The liquidation of bond fund investment raised cash inflows from operating activity and, accordingly, cash flow adequacy ratio.
- (6) In summary, the decrease in total assets increased the total assets turnover and cash reinvestment rates.

# 2007 - 2008 Comparative Cash Flow Statement

Unit: NT\$'000, %

	2008	2007	YoY change		
	2006	2007	Amount	%	
Cash inflow (outflow) from operating activities	25,203,147	34,156,322	(8,953,175)	(26.21)	
Cash inflow (outflow) from investment activities	(3,403,331)	(39,784,642)	36,381,311	91.45	
Cash inflow (outflow) from financing activities	(22,718,880)	(110,704)	(22,608,176)	(20,422.19)	
Net cash	(919,064)	(5,739,024)	4,819,960	83.99	

# **Cash flow analysis**

#### 1. 2008 Cash flow analysis

- (1) Cash flow from operating activities: Cash inflow decreased from 2007 due to the liquidation of bond fund investments in 2007.
- (2) Cash flow from investment activities: Cash outflow decreased due to TFN acquisition in 2007.
- (3) Cash flow from financing activities: Cash outflow increased due to payment of bank loans and capital reduction payables.

# 2. Plans to improve negative liquidity Not applicable

#### 3. Projected cash flow for 2009

- (1) Projected cash inflow from operating activities: Projected operating cash inflow in 2009 will increase from 2008 as cash dividends to be collected from subsidiaries in 2009 will increase. Other than this, the projected cash inflow from operating activities in 2009 shall remain stable.
- (2) Projected cash outflow from investment activities: For capital expenditures.
- (3) Projected cash outflow from financing activities: For distribution of cash dividends and repayment of long-term debts.

# 2009 Cash Flow Analysis

Unit: NT\$'000

Orah halaman hanin	Forecast net cash inflow	Total cash outflow	Cash balance, end of the year (1) +(2) -(3)	Source of funding for negative cash balance		
ning of the year (1)	from operations (2)	from investment and financing activities (3)		Cash inflow from investment activi- ties	Cash inflow from financing activities	
1,544,375	27,076,962	26,665,254	1,956,083	-	-	

# 4. Source of funding for negative cash flow in 2009 Not applicable

# Major capital expenditures and sources of capital analysis

Due to stable operations and cash flows, the Company was able to fund all major capital expenditures using internal capital; as such, no effect on the Company's financials.

#### **Investments**

Investment policies, profitability analyses, and improvement plans: See chart below

Unit: NT\$'000

<b>Explanation Item</b>	Amount	Rationale	Main reasons for gains / losses	Improve- ment plans	Future investment plans
Wealth Media Technology Co., Ltd. (WMT)	185,000	To increase holding stake in Phoenix Cable TV Co., Ltd. to 100% indirectly through WMT's subsidiary, Tai Fu Media Technology Co., Ltd.	WMT's loss mainly came from its sub- sidiary – Tai Fu Media Technology Co., Ltd.	-	-
Taipei New Horizons Co., Ltd.	249,500	To invest in a property development project mainly for building an office headguarter located in the old Songshan Tobacco Factory site.	-	-	-

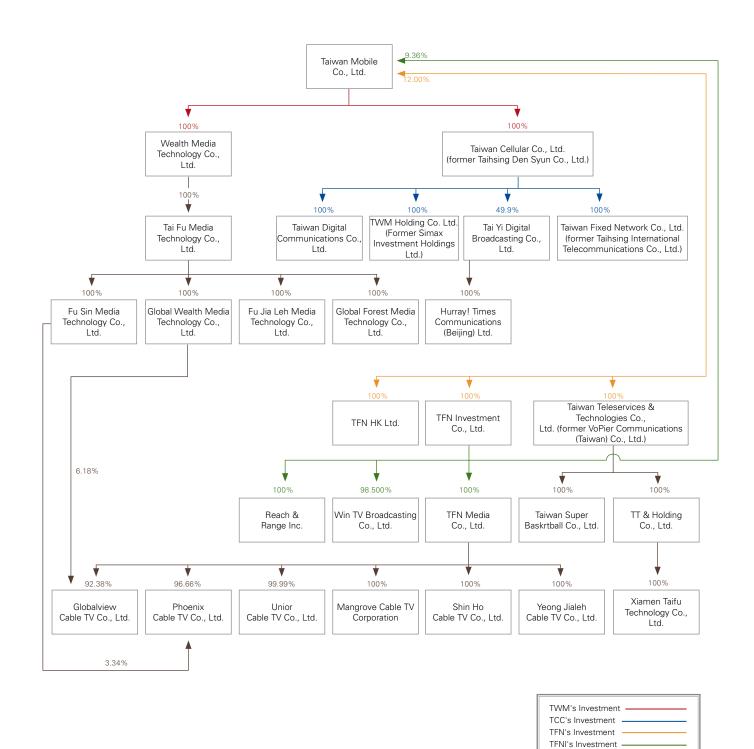
Note: Investments made in 2008 exceeded 5% of the Company's paid-in capital.

# Financial turnover difficulties for the Company and its affiliates None

# **Affiliates**

# 1. Investment Holding Structure

As of December 31, 2008



Other subsidiaries's Investment -

# 2. Affiliates' Profile

Unit: NT\$'000 (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,499,583	Telecom engineering and IT service
Tai Yi Digital Broadcasting Co., Ltd.	2006.01.03	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	50,000	Broadcasting business and telecom service subscription agency
TWM Holding Co., Ltd.	2006.06.09	c/o Arias, Fabrega & Fabrega Trust Co., BVI Ltd. 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1 (Note)	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	12,000	Telecom engineering and IT service
Taiwan Super Basketball Co., Ltd.	2007.09.21	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	20,000	Basketball team manage- ment
TT&T Holdings Co., Ltd.	2004.10.08	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$1,300,000 (Note)	Investment
Xiamen Taifu Teleservices & Technologies Co., Ltd.	2005.04.05	3F-B, No.2, Xiamen Software Park, Xiamen City, PRC	US\$1,300,000 (Note)	Call center service
Taiwan Fixed Network Co., Ltd.	2007.01.30	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	40,000,000	Fixed line service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	10,000	Call center service
TFN Investment Co., Ltd.	2001.12.20	13F-1, No.172-1, Jilung Rd., Sec. 2, Taipei	20,619,388	Investment
Reach & Range Inc.	1995.12.04	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	24,000	Telecommunication equipment installation and IT service provider
Win TV Broadcasting Co., Ltd.	2005.10.17	3F-1 and 3F-2, No. 71, Zhouzi St., Neihu District, Taipei	255,980	TV program provider
TFN HK Ltd.	2003.05.14	Unit 507, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HK\$1,300,000 (Note)	Telecom service provider
Hurray! Times Communications, Beijing	2002.09.17	Room B05B, B floor, Tong Heng Building, No, 4, Garden Road, Haidian District, Beijing China	US\$3,000,000 (Note)	Telecom product innova- tion and design
TFN Media Co., Ltd.	2005.01.25	6F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District, Taipei	2,305,263	Cable broadband and value-added service provider
Yeong Jialeh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Jhongjheng Rd., Sinjhuang City, Taipei County	339,400	Cable TV service provider

Name	Date of incorporation	Address	Paid-in capital	Main business
Shin Ho Cable TV Co., Ltd.	1996.09.25	6, No. 651-8, Jhongjheng Rd., Sinjhuang City, Taipei County	200,000	Cable TV service provider
Mangrove Cable TV Corp.	1996.01.23	5F, No. 33, Lane 3, Jhongjheng E. Rd., Sec. 1, Danshuei Township, Taipei County	211,600	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Kaohsiung County	680,902	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Sijhih City, Taipei County	560,000	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No. 28-23, Donggang Rd., Yilan City, Yilan County	1,704,633	Cable TV service provider
Wealth Media Technology Co., Ltd.	2007.08.07	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	272,000	Investment
Tai Fu Media Technology Co., Ltd.	2007.10.18	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	270,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	No. 206, Datong Rd., Sec. 2, Sijhih City, Taipei County	84,000	Investment
Fu Jia Leh Media Tech- nology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,171,000	Investment
Fu Sin Media Technology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	135,000	Investment
Global Forest Media Technology Co., Ltd.	2008.12.26	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,000	Investment

Note : Exchange rate of US\$1=NT\$32.865 and HKD=NT\$4.233 as of December 31, 2008  $\,$ 

# 3. Affiliates' Operating Highlights

								Unit: NT\$'000
Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net in- come	EPS (NT\$)
Taiwan Cellular Co., Ltd.	1,499,583	52,959,994	13,090	52,946,904	-	(4,174)	6,139,145	24.56
TWM Holding Co., Ltd.	0.033	213,106	12,981	200,125	-	(335)	(37,287)	(37,286,751)
Hurray! Times Communications, Beijing	98,595	123,326	26,168	97,158	60,273	(36,824)	(31,008)	NA
Taiwan Digital Communications Co., Ltd.	12,000	11,141	60	11,081	-	(103)	(91)	(80.0)
Tai Yi Digital Broadcasting Co., Ltd.	50,000	43,195	52	43,143	-	(921)	(3,966)	(0.79)
Taiwan Super Basketball Co., Ltd.	20,000	28,886	8,842	20,044	38,409	31	39	0.02
TT&T Holdings Co., Ltd.	42,725	50,475	5,695	44,780	13,165	630	(1,360)	(1.05)
Xiamen Taifu Teleservices & Technologies Co., Ltd.	42,725	52,889	8,120	44,769	59,902	2,708	(1,253)	NA
Taiwan Fixed Network Co., Ltd.	40,000,000	55,925,752	3,778,222	52,147,530	9,444,070	1,621,880	6,110,349	1.53
Taiwan Teleservices & Technologies Co., Ltd.	10,000	445,572	347,963	97,609	497,971	52,119	75,151	70.82
TFN Investment Co., Ltd.	20,619,388	25,858,450	132,008	25,726,442	1,394,816	1,374,607	1,349,441	0.65
Reach & Range Inc.	24,000	32,247	5,776	26,471	15,616	1,874	2,107	0.88
Win TV Broadcasting Co., Ltd.	255,980	211,588	29,814	181,774	137,265	(55,368)	(74,207)	(2.90)
TFN HK Ltd.	5,503	6,005	3,048	2,957	6,364	(191)	(160)	(0.12)
TFN Media Co., Ltd.	2,305,263	13,084,862	9,661,080	3,423,782	2,123,313	890,688	927,766	4.02
Yeong Jialeh Cable TV Co., Ltd.	339,400	982,564	393,605	588,959	931,812	240,900	179,955	5.30
Shin Ho Cable TV Co., Ltd.	200,000	251,734	43,174	208,560	104,080	(7,786)	(1,283)	(0.06)
Mangrove Cable TV Corp.	211,600	467,515	173,410	294,105	343,079	85,422	64,730	3.06
Phoenix Cable TV Co., Ltd.	680,902	1,286,510	321,271	965,239	1,117,043	261,209	203,682	2.99
Globalview Cable TV Co., Ltd.	560,000	851,288	201,584	649,704	460,645	83,031	69,715	1.24
Union Cable TV Co., Ltd.	1,704,633	2,090,537	271,819	1,818,718	608,888	140,282	103,502	0.61
Wealth Media Technology Co., Ltd.	272,000	225,847	112	225,735	-	(260)	(41,980)	(1.86)
Tai Fu Media Technology Co., Ltd.	270,000	2,232,256	2,008,207	224,049	-	(256)	(41,827)	(1.87)
Global Wealth Media Technology Co., Ltd.	84,000	88,412	121	88,291	-	(209)	4,194	0.50
Fu Jia Leh Media Tech- nology Co., Ltd.	1,171,000	2,001,310	110	2,001,200	-	(179)	(11)	-
Fu Sin Media Technology Co., Ltd.	135,000	139,838	117	139,721	-	(253)	4,821	0.48
Global Forest Media Technology Co., Ltd.	1,000	1,025	100	925	-	(100)	(75)	(0.75)

# Taiwan Mobile Co., Ltd.

# **Audit Committee Report**

Date: March 5, 2009

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2008 business report, financial statements and proposal for profit distribution. The CPA firm, Deloitte & Touche, was retained to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements and proposal for profit distribution have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Taiwan Mobile Co., Ltd.

Trung Mung Chung

**Tsung-Ming Chung** 

**Chairman of the Audit Committee**